

MINUTES

North Dakota Public Employees Retirement System
Thursday, May 30, 2002
Blue Cross Blue Shield Office
107 West Main
Bismarck, North Dakota

Members Present:

Mr. David Gunkel
Mr. Ron Leingang
Mr. Howard Sage
Mr. Weldee Baetsch
Chairman Jon Strinden

Via Video Conference

Others Present:

Mr. Sparb Collins, Executive Director NDPERS
Mr. Scott Miller, Attorney General's Office
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Arvy Smith, Health Department
Mr. Tom Tupa, INASEA,
Ms. Rhonda Peterson, BCBS
Via Video Conference Mr. Larry Brooks, BCBS, Fargo
Mr. Bill Robinson, The Segal Company, Denver

Chairman Strinden called the meeting to order at 8:30 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the April 18, 2002 NDPERS Board minutes.

Mr. Leingang moved approval of the April 18th Board meeting minutes. Mr. Gunkel seconds the motion.

RETIREMENT

Health Credit Factors (Board Action Requested)

Mr. Collins provided an update on the implementation of age-based tables for Joint and Survivor benefits that the Board approved last year. Mr. Collins also indicated that Segal provided additional tables for the Level Income Social Security retirement options. Currently NDPERS Administrative Code only allows members to elect this retirement option and draw their social security at either 62 or at Social Security's Normal Retirement Age. The Administrative Code does not allow for a member to elect the Level Income Social Security option and start drawing Social Security benefits at 63 or 64.

Segal provided NDPERS with tables for the age 63 and 64 options. This would allow NDPERS members to elect the Level Income Social Security option and draw retirement benefits from Social Security at either age 62, 63, 64, or Normal Retirement Age. This expands the member's choices under this retirement option.

Mr. Gunkel moved approval of the Level Social Security tables and for staff to move forward with changing the Administrative Code for the Level Income Social Security Benefit. Mr. Baetsch seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle and Tabor

PASSED

Defined Contribution Goals (Informational)

Mr. Collins indicated that our DC members are provided with a well diversified set of investment options; NDPERS monitors those options on a regular basis, they are provided with quarterly reports to let them know how their asset allocation is performing and they are supplied with general information session/information on financial planning and investing. With all of this being done staff felt that additional specific information on setting retirement goals may be helpful. To assist with this effort staff indicated they will be sending out a letter and worksheet to all our DC plan members. This is to encourage them to actively set their goals, plan how to get their and fund their retirement at an adequate level to meet there goals.

Private Letter Ruling (Board Action Requested)

Mr. Collins reviewed the draft private letter ruling and indicated that the next step is to have the Attorney General's Office review the draft and if acceptable it would be submitted to the IRS.

Mr. Gunkel moved approval to submit draft to the Attorney Office for review and incorporate any changes suggested by the office and send to the IRS. Mr. Sage seconds the motions.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle, Tabor

PASSED

Interest Calculation (Board Action Requested)

Ms. Schiermeister indicated that NDCC 54-52-06 provides PERS with the authority to assess interest at the actuarial rate of return when an employer does not pay retirement contributions when they are due. NDCC 54-52-17.4(4) defines the cost for purchasing service credit as the higher of the actuarial cost to the fund, or the refund amount the member received, plus interest at the actuarial rate of return from the time the member was issued the refund. The actuarial

rate of return is an assumption used in the annual actuarial valuation and is currently 8% per year. Staff is looking for clarification on whether the actuarial rate of return should be applied as simple interest or compounded when calculating amounts due to PERS. Staff contacted The Segal Company and they indicated that the actuarial rate of return is intended to be a compounded rate. Staff also checked with Scott Miller and he determined that the Board can make an interpretation of what the actuarial rate of return is. He also indicated that NDCC 47-14-09(1) states that interest can not be compounded on loans or past due amounts which directly addresses the past-due retirement contributions.

Mr. Baetsch moved to use compounded. Mr. Gunkel seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle and Tabor

PASSED

GROUP INSURANCE

RFP's Voluntary Insurance Products (Board Action Requested)

Mr. Bill Robertson from Segal joined the meeting via video conference to answer any questions. Mr. Collins indicated that staff has examined the information provide in the proposal process as it relates to the criteria and offered their observations on the dental, vision and LTC plan.

The board reviewed and discussed each program individually.

Dental:

Mr. Gunkel moved approval of staff recommendation as follows:

1. To invite both ING and Delta to make a presentation at the June 20 board meeting (approximately 20 minutes each).
2. To give both carriers a series of sample claims and have them tell us how they would be processed to further explore the adequacy of the coverages based upon the above approach. We would have this information prepared and analyzed for your consideration at the next meeting.
3. To have staff and maybe a Board member to do a site visit of Delta.
4. To have the broker come in for 15 minutes to discuss the additional benefits of selecting his proposal.

Mr. Sage seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle and Tabor

PASSED

Vision:

Mr. Gunkel moved approval of staff recommendation as follows and invite Eye Med and Superior as well:

- i. Inviting both Ameritas (this proposal was submitted through a North Dakota broker) and VSP to the June Board meeting,
- ii. Staff would have conference call with both carriers prior to the meeting to review the administrative requirements, and
- iii. We would discuss with them offering a discount plan in addition.

Mr. Sage seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.

Nays: None
Absent: Dr. Dwelle and Tabor
PASSED

Long Term Care:

Mr. Baetsch moved approval of staff recommendation of renewing the contract with UNUM and to continue discussion with UNUM of offering only a two year plan in the future.

Mr. Sage seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.
Nays: None
Absent: Dr. Dwelle and Tabor
PASSED

Heart of America HMO (Board Action Requested)

Mr. Collins indicated that at the last board meeting, the board discussed the application of Health of America HMO and the request to expand its services to the Minot area. The Board requested staff to ask BCBS if this would affect the existing contract since it was not a part of the renewal. BCBS response was provided in the board materials. It is their conclusion that approving the application may change the assumptions used for our renewal thereby giving them the opportunity to adjust the premiums.

Mr. Sage moved to disapprove the Heart of American HMO application for the Minot area at this time. Mr. Gunkel seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.
Nays: None
Absent: Dr. Dwelle and Tabor
PASSED

Health Plan Review (Board Action Requested)

Mr. Collins indicated that over the last several months the PERS Benefits Committee has met several times concerning the health insurance plan. These discussions have focused on the *health plan design* and the *scope of benefits*. *Health plan design* refers to the deductibles, co-payments and co-insurance. *Scope of benefits* refers to the range of services covered and how they are reimbursed. Mr. Collins summarized the information developed and reviewed as part of this effort. Mr. Collins indicated that staffs recommendation is to move forward with the renewal by taking the following two steps:

1. Submit the plan designs developed by the benefits committee to BCBS and Deloitte.
2. Concerning the scope of benefits that those items ranked 1 through 5 and 15 be carried forward and costs as part of the renewal for the Boards further consideration in August.

Mr. Gunkel moved approval of staffs' recommendation with the addition on #7 Prescription drugs for nicotine addiction. Mr. Leingang seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.
Nays: None
Absent: Dr. Dwelle, Tabor
PASSED

Health Insurance Portability and Accountability Act of 1996 (HIPAA) (Informational)

Mr. Collins indicated that HIPAA has more applicability to PERS than initially anticipated. Mr. Collins provides the Board with the following plan to bring PERS into compliance:
There has been four task forces formed internally, they are:

1. Privacy and confidentiality
2. Transactions
3. Security
4. Contracting

The privacy group will examine the HIPAA privacy requirements and the confidentiality requirements in state law relating to PERS (NDCC 54-52-26, 54-52.1-11, 54-52.1-12 & 54-52.3-05). The goal of this group will be to bring the agency not only in compliance with HIPAA but also to review our procedures relating to state law and to develop a single operating procedure across the agency for all programs.

The security group will also conduct a review to not only comply with HIPAA but also assess our security procedures across all our programs. As with the privacy group the goal will be to develop a single set of procedures for the entire agency and all our programs.

The transactions group will look at how we will need to modify our procedures in this area. At this point our primary area of concern is how we transmit the enrollment and premium information to BCBS each month.

The contracting group will look at the contracts we have in place and develop appropriate amendments. Contracts to be examined will be the ones with our participating political subdivisions, BCBS, the dental carrier, the EAP's and our consultants.

Mr. Collins also indicated that our working groups will be supported by the Attorney's General's office and ITD. Mike Mullens is the new special assistant attorney general who is specializing in HIPAA and Jennifer Kuntz is the state HIPAA Coordinator at ITD. We have also started working with BCBS.

Blue Cross Blue Shield Member Services Survey (Informational)

Ms. Peterson of BCBS presented a brief overview of the survey for the Board.

Surplus/Affordability Update (Informational)

The May surplus projection and affordability analysis for the NDPERS group medical plan were included with the board materials.

Devils Lake EPO (Informational)

Ms. Allen indicated that recently Altru Clinic Health System in Grand Forks purchased Lake Region Clinic in Devils Lake. As a result, the Lake Region Clinic is now a part of the Altru EPO network. Ms. Allen also indicated that NDPERS will be sending out EPO open enrollment information to the home addresses of state agency and participating political subdivision employees residing within a 50-mile radius of Devils Lake. Since this area has never been in our EPO network, it has not been included in our annual enrollment site meeting schedule. Therefore, we will conduct site meetings to ensure the employees have the benefit of this presentation to make an informed decision. Our deadline for submitting applications is June 15. However, due to the timing of this development, this has been extended for the Devils Lake area.

DEFINED CONTRIBUTION AND DEFERRED COMP

EGTRRA (Board Action Requested)

Mr. Collins indicated that at the last meeting the board reviewed staffs efforts relating to the implementation of the new EGTRRA provisions. Several items were identified as awaiting guidance from the IRS. At the meeting it was suggest that we follow-up with Segal to determine the status of these areas. Staff received the following response from Mr. Crane at Segal.

It doesn't appear that there will be any significant additional guidance from the IRS in the near future on the issue of how plans can and should accept rollover contributions into their plans. However, as the matter has been discussed by plan sponsors, consultants, and vendors, the mechanisms for administering roll-in accounts appear to be relatively manageable and there are no longer appear to be reasons for delaying adding roll-in account features where appropriate for each of the plans. The major mechanisms appear to be primarily related to verification of plan type source (i.e., 401, 457, 401k, 403b, regular IRAs) and appropriate separate accounting for purposes of plan design and application of 10% early withdrawal penalties.

Mr. Crane did indicate in a telephone conversation that the proposed new 457 rules issued by the IRS do have some wording that has confused one issue relating to transfers. Specifically it has been understood that if an individual does a rollover to a new plan that those funds would be available to the member at any time. The new rules imply that if it is rolled over those funds would not be available until termination. Consequently, we will need to address this issue if it is decided to move forward in this area.

Mr. Sage moved approval of staff recommendation to move forward with implementing the rollover provision. Mr. Baetsch seconded.

Ayes: Baetsch, Gunkel, Sage and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle, Leingang and Tabor

PASSED

NDPERS 401(a) Defined Contribution 1st Quarter 2002 Report (Informational)

Mr. Reinhardt provided an over view of the report for the board.

NDPERS 401(a) Defined Contribution 1st Quarter 2002 Report (Informational)

Mr. Reinhardt provided an over view of the report for the board.

Lincoln 457 Provider Survey (Informational)

Mr. Reinhardt provided an over view of the survey for the board.

NDPERS Deferred Compensation Survey (Informational)

Mr. Reinhardt provided an over view of the survey for the board.

MISCELLANEOUS

Legislative Employee Benefits Committee (Board Action Requested)

Mr. Collins indicated that the Legislative Employee Benefits Committee met on May 6, 2002. The purpose of the meeting was to review all proposed legislation that was submitted by April 1st deadline. Mr. Collins indicated that the retirement bills will go to Segal and the group insurance bills will go to Deloitte and Touche. Mr. Collins indicated that bill #18 submitted by Representative Wald is the same as the one submitted last session relating to offering the Defined Contribution option to all state employees. Last session we had Segal do the technical analysis of this bill and Watson Wyatt do the actuarial work. Watson Wyatt's public sector

practice has since been purchased by Gabriel Roder and Smith (GRS). The board discussed following the same review procedures as last time. The board also discussed supplementing the review with an assessment of the adequacy of the defined contribution plan benefits.

Mr. Sage moved approval to have GRS update the actuarial work for Bill #18 and Segal do the technical. Also seek proposals from GRS and Segal concerning an expanded examination of the issue of pension adequacy for the DC plan. Mr. Gunkel seconds the motion.

Ayes: Gunkel, Leingang, Sage and Chairman Strinden.

Nays: Baetsch

Absent: Dr. Dwelle and Tabor

PASSED

NDPERS Wellness Benefit Application (Board Action Requested)

Ms. Allen indicated that NDPERS has sponsored a "Health and Wellness Fair" during Employee Recognition Week for the last seven years. The Board has helped to support this effort by approving our request for a wellness benefit to help offset the cost of the preventive services. Staff is estimating 250-300 participants to participate. In 2001 NDPERS arranged with PrimeCare to conduct cholesterol and glucose screenings and wishes to provide the same services in 2002. NDPERS is requesting a wellness benefit of \$2,500 to cover the remaining expenses of these services.

Mr. Gunkel moved approval of staff recommendation to approve the wellness application. Mr. Leingang seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden

Nays: None

Absent: Tabor and Dr. Dwelle

PASSED

Paperless Board Materials (Board Action Requested)

Ms. Curfman indicated the strategic plan that the Board adopted in February called for staff to identify options for paperless board materials. The following are the options developed by staff:

1. Provide the information on the web for each Board member to down load and print what they feel is needed for comments etc. at the meeting. All of the information would be available at the meeting;
 - a. via projection.
 - b. each board member would have a monitor to view the materials.
2. Provide each board member with a laptop to down load the board materials from the web and to use at each board meeting.
3. Provide each board member with a CD of the board materials.
4. Continue with our current method of providing board materials.

The Board discussed the above options

Mr. Gunkel moved to continue with our current method of providing board materials. Mr. Sage seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden

Nays: None

Absent: Tabor and Dr. Dwelle

PASSED

Health Care Discussions (Informational)

The most recent Health Care Discussions newsletter from BCBS has been included in the board materials.

PERS Audit Committee Minutes (Informational)

The approved minutes from the January 23, 2002 meeting was included in the board materials for the Boards review.

Salary adjustment for Executive Directors (Board Action Requested)

Mr. Baetsch indicated that the committee has completed and tabulated the performance evaluation for Mr. Collins based on input from each Board member. Mr. Baetsch indicated that Mr. Collins received very positive ratings. Mr. Baetsch indicated that in considering the salary increase the committee reviewed salary surveys of comparable positions in other State governments using the MOSSERS Salary survey. Committee utilized the states with six billion dollars or less in assets from the MOSSERS Survey. Twelve states fit this category. Based on the survey data, the committee is proposing the following recommendation:

A \$35 per month increase in Mr. Collins monthly salary effective July 1, 2002, followed by a labor market adjustment of 10% on January 1, 2003.

Mr. Sage moved approval of committee recommendation of a \$35 per month increase effectively July 1, 2002 and a labor market adjustment of 10% on January 1, 2003. Mr. Gunkel seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden

Nays: None

Absent: Tabor and Dr. Dwelle

PASSED

The next meeting has been scheduled for June 20, 2002.

Chairman Strinden calls for any other business, hearing none the meeting adjourned at 11.22 AM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*